



OFFICE OF
INSURANCE COMMISSIONER

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In the Matter of)	No. 09-0047
)	
FARMERS INSURANCE)	CONSENT ORDER
COMPANY OF WASHINGTON,)	IMPOSING A FINE
)	
An Authorized Insurer.)	
_____)	

COMES NOW the Insurance Commissioner of the State of Washington, pursuant to the authority provided in RCW 48.01.020, 48.02.080, and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. Farmers Insurance Company of Washington ("Farmers" or the "Company") is authorized to conduct the business of insurance in Washington State and, therefore, is subject to Title 48 RCW and Chapter 284 WAC. Farmers is authorized to conduct disability, property, casualty, marine, and surety insurance business in Washington State.
2. From December 1, 2007 through August 4, 2008, Farmers deducted collection agency expenses incurred during the subrogation process from the final deductible reimbursement payment provided to its insureds in Washington State, a practice that contravenes WAC 284-30-3905(2).
3. During the aforementioned period, Farmers determined that out of 764 claims where the deductible was recovered during the subrogation process, 312 consumers in Washington State had collection agency expenses improperly subtracted from their final deductible reimbursement payments for a total of \$10,756.90.
4. By letter dated August 27, 2008, Farmers informed the OIC that it had corrected its business practice to comply with WAC 284-30-3905(2) and refunded \$10,756.90 to the 312 affected consumers in Washington State.



CONCLUSIONS OF LAW:

1. Farmers violated WAC 284-30-3905(2) by improperly deducting collection agency fees and costs from the final deductible reimbursement amount.
2. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of or in addition to the suspension or revocation of an insurer's Certificate of Authority.

CONSENT TO ORDER:

Farmers, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and upon such terms and conditions as are set forth below.

1. Farmers consents to the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consents to the entry of the Order and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order;
2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$25,000 and suspend \$14,000 of that amount, on the conditions that:
 - a. Within thirty days of the entry of this Order, Farmers pays \$11,000 to the Insurance Commissioner.
 - b. Farmers commits no further violations of the statutes and regulations that are the subject of this Order, including any successor statutes and regulations, for a period of two years from the date this Order is entered.
 - c. Farmers understands and agrees that any future failure to comply with the statutes and regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violation, in addition to the imposition of the suspended portion of this fine.
 - d. The suspended portion of this fine will be imposed at the discretion of the Insurance Commissioner according to the conditions as set forth above, without any right to hearing, appeal, or advance notice.
3. Farmers' failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of Farmers' Certificate of Authority, and shall result in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Executed this 28th day of May, 2009.

FARMERS INSURANCE COMPANY
OF WASHINGTON

By: [Signature]

Printed Name: Robert M. Trephorn
Corporate Title: Assistant Vice President

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner orders as follows:

ORDER:

1. Farmers shall pay a fine in the amount of \$25,000, of which amount the sum of \$14,000 is suspended on the condition that the Company fully comply with the statutes and regulations which are the subject of this Order, including any successor statutes and regulations, for the next two years.
2. Farmers' failure to pay the fine within the time limit set forth above shall constitute grounds for revocation of Farmers' Certificate of Authority, and shall result in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington..

Executed this 9TH day of JUNE, 2009.

MIKE KREIDLER
Insurance Commissioner

By: [Signature]
Thomas P. Rowland
Staff Attorney
Legal Affairs Division